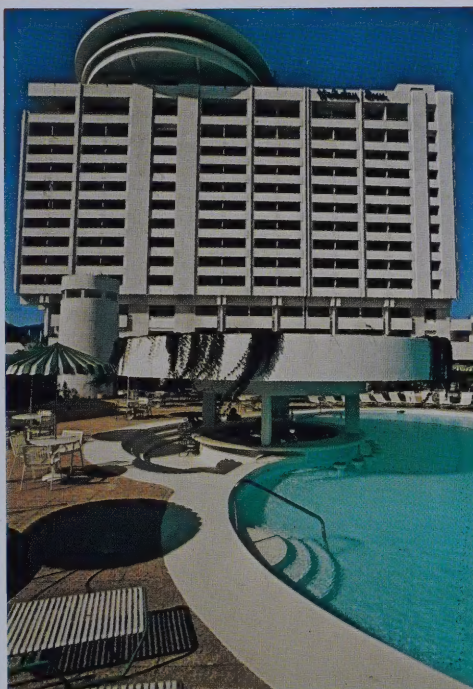
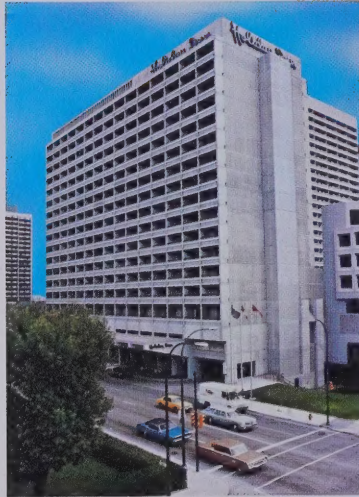




Commonwealth Holiday Inns of Canada Limited 1974 Annual Report





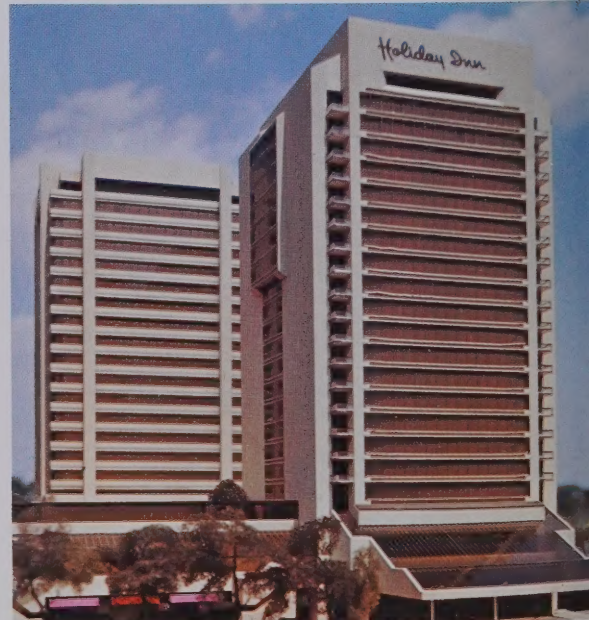
Holiday Inn Winnipeg-Downtown



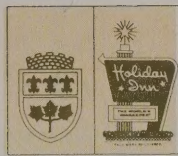
Holiday Inn Saskatoon (Spring 1975)



Holiday Inn Vancouver-Harbour Side (Spring 1975)



Holiday Inn London-City Centre Tower (Summer 1975)



COMMONWEALTH

Holiday Inns

OF CANADA LIMITED

A SHORT HISTORY1962 - 1974

The Company had its beginnings in June, 1962 when David Rubinoff opened the first Holiday Inn in Ontario in London, on Wellington Road near its junction with Highway 401. Mr. Rubinoff, a successful London developer had realised as he watched traffic streaming past this junction that a hotel built on this site would probably be very successful. Being unfamiliar with the hotel industry, he studied the market whilst on numerous trips in the United States, and perceived that a relatively new chain seemed to be coping with the problem of building and operating hotels in a unique way. The Company was Holiday Inns, Incorporated of America of Memphis, Tennessee. Mr. Rubinoff persuaded the chain's founder, Mr. Kemmons Wilson to grant him a foreign franchise. The ten year period between 1962 and 1972 witnessed the growth of the Company to its present position as the largest Canadian hotelier in the world with operations spanning two continents and five Caribbean Islands.

London's first Holiday Inn was unique for this type of roadside facility. It provided a standardised high level of modern accommodation - such luxuries as they were considered at that time, as television in every room, air-conditioning, extra long double-sized beds, unlimited quantities of ice, all at no extra charge. Soon after opening, it was operating successfully and the level of commercial and tourist business achieved, indicated the need for another Inn. A second was constructed in the downtown core of London at King Street and Wellington Road. This Inn in the city's centre provided modern accommodation in a garden-like setting, where no new hotels had been built for many years. It rapidly became a success. Before long, it developed into one of the main centres in the city for business and social events, and eventually became the home for the Chamber of Commerce.

The volume of business and social travel between London and the province's major city, Toronto, some 120 miles to the east, clearly indicated the advantages of building an Inn there. In November, 1963, a 200 room Holiday Inn was opened in the city's west end. Its location beside the major north/south highway 27 near its junction with the nearly completed Trans-Provincial Highway 401, which extended from Windsor to the Quebec Border near Montreal, and its proximity to the International Airport, predicted its immediate popularity with both business and recreational travellers.

The Development of a Corporation, 1964-1967

By early 1964, with three Inns in operation, the exclusive right to build and operate 24 Holiday Inns in Ontario was negotiated. In March of the same year, a private Company was incorporated to acquire the three existing Inns and Mr. Rubinoff's rights with respect to further franchises for Holiday Inns in Ontario. At this time, an active Board of Directors was appointed, its members drawn from the senior echelons of law, financial and educational institutions, and from senior

management of Holiday Inns Incorporated. This change in the corporate entity and its relationship with Holiday Inns Incorporated of America, broadened the Company's source of financing and facilitated the raising of future capital on more favourable terms than otherwise would have been possible. During this period, ten more Inns were constructed or acquired in Ontario, bringing the total to 14 Inns with a total of 2,166 rooms in operation.

Chatham	(1965)	St. Catharines	(1966)
Kitchener	(1965)	Thunder Bay	(1966)
Ottawa	(1965)	Toronto East	(1966)
Hamilton	(1966)	Kingston	(1967)
Peterborough	(1966)	Oakville	(1967)
	Windsor	(1967)	

These Inns were situated in important centres of the province and formed the nucleus of the Ontario chain of Holiday Inns.

The rapid expansion required an equally repaid growth in the ranks of senior management. A vigorous recruiting programme saw the acquisition of personnel who brought with them additional expertise in the areas of site selection and development, the operation of the lodging and food departments of the Company and in the area of financial controls. The development of sophisticated control procedures soon followed, including the introduction of accurate monthly computerised statements of costs and revenues.

In 1965, Associated Innkeepers Supply was incorporated as a subsidiary Company. Its initial function was the bulk purchase of supplies and furnishings for the Inns. Soon however, it branched out into the areas of total design and furnishing of the Company's Inns and in this role, has won several international awards for the design of new Inns and its renovation of older properties.

The Growth Years, 1968 - 1972

As the exclusive right to build and operate Holiday Inns in all the nine other provinces of Canada was held by another Company, areas outside the country came under active consideration for a programme of continuing expansion. Consequently, six franchises were sought and obtained to build Inns in the Caribbean resort area on the Islands of Antigua, Barbados, Grenada, St. Kitts, St. Lucia and Trinidad to serve the massive north American market consisting of more than 220 million people. Concurrent with the move into the Caribbean tourist area, the Company's interest was drawn to another English-speaking tourist and business area, the United Kingdom. Extensive research and feasibility studies revealed an acute shortage of hotel rooms, especially of the calibre of Holiday Inns, and that because of the increase in travel, both for business and pleasure, the prospects for a well operated chain would be excellent. The Company sought and was granted 15 franchises for the United Kingdom. The first Inn to be built there was at Plymouth, in Devonshire, on a magnificent site overlooking the historic Plymouth Hoe. It was opened in December, 1970.

An additional 10 franchises were acquired in 1968 by the Company for Ontario and its exclusive right to build in the province was extended to December 31, 1973. Two franchises in the state of Michigan were also acquired at this time for Inns at Pontiac and Port Huron.

During the same year, the Company was converted into a Public Company, and its name changed to Commonwealth Holiday Inns of Canada Limited. In December, 1968, shares were offered and sold to the public. These shares were subsequently posted for trading on the Montreal and Toronto Stock Exchanges. This underwriting provided a further source of funds which permitted an acceleration in plans for further expansion. By now, the Company had built for itself an enviable reputation as an owner, operator and developer of hotels, so much so, that domestic and foreign sources of capital and developers began to approach the Company with proposals in ever increasing numbers.

Twenty-six Inns were brought into operation during this period.

Brantford	(1968)	Edmonton	(1970)
Barrie	(1969)	Sudbury	(1970)
Chatham	(1968)	Toronto-Yorkdale	(1970)
Port Huron	(1968)	Plymouth, England	(1970)
Pontiac	(1968)	St. Lucia	(1970)
Huntsville	(1968)	Grenada	(1970)
Antigua	(1968)	Oshawa	(1971)
Barbados	(1969)	Sarnia	(1971)
Toronto-Don Valley	(1969)	Sydney, Nova Scotia	(1971)
Kenora	(1969)	Toronto-Airport	(1971)

Years of Consolidation, 1972 - 1974

At this time, negotiations were proceeding for further expansion into Europe, specifically Portugal. This entry into a new area of operations was facilitated through an affiliation with InterHotel, a large Portuguese Development Company. Initial plans included a luxury 385 room resort hotel on the Island of Madeira and a second on the Portuguese mainland in the resort area of the Algarve's semi-tropical south coast.

In 1972, an agreement was drawn up with Commonwealth Development Corporation, a large United Kingdom Crown Corporation, owning and operating resort hotels in the western Caribbean, whereby both Companies transferred their hotels and Inns to a Company to be known as Allied Innkeepers of Bermuda, in which each had an equal interest. All the properties in the resultant chain are Holiday Inns and with the completion of the Holiday Inn at Port-of-Spain, Trinidad, it will comprise more than 1,000 rooms. This chain is now managed by Commonwealth for a fee. In the early part of 1973, a marketing agreement was signed between Air Canada, Canada's major airline and Allied Innkeepers of Bermuda to jointly promote travel to these Inns.

1972, the tenth year since the opening of the first Inn saw momentous strides in the Company's development. In February, the 504 room 27 storey Holiday Inn, Ottawa-Centre opened. In May, the largest Holiday Inn in the world, the 750 room, 27 storey Holiday Inn, Toronto-Downtown, situated in the heart of that city was opened. With six Inns in the city of Toronto, totalling more than 2,100 rooms, Commonwealth Holiday Inns became the largest hotelier in that city. June saw the openings of Inns at Lethbridge, Alberta - 144 rooms, and at Longueuil, an Inn of 215 rooms across the river from Montreal, Canada's largest city. The new Inns in Ottawa and Toronto incorporated a new feature - revolving rooftop restaurants. In October, an Inn on the Island of St. Kitts opened. During the same month, the Company's first Portuguese Inn opened on the Island of Madeira, a 304 room luxury hotel.

Inns opened in 1972 were:

Ottawa-Centre	504 rooms	February
Toronto-Downtown	750 rooms	May
Lethbridge, Alberta	144 rooms	June
Longueuil, Quebec	215 rooms	June
St. Kitts, W.I.	60 rooms	October
Madeira, Portugal	304 rooms	October

April of 1973 was an important month in the Company's history - two Commonwealth Holiday Inns were opened simultaneously in the heart of London, England. Holiday Inn, London - Swiss Cottage, a 300 room luxury hotel situated in the centre of London near Regent's Park, only minutes from the West-End and Holiday Inn, London-Marble Arch, a 250 room luxury hotel located at the west end of Oxford Street in the West-End also.

The 200 room Holiday Inn, Burlington, Ontario opened in May located on the Queen Elizabeth Highway between Hamilton and Toronto. The Company's United Kingdom operations were expanded further by the opening in July, 1973 of the 250 room Holiday Inn, Slough/Windsor on the outskirts of London, near Heathrow Airport and the important business centre of Slough and close to the historic Royal residence of Windsor Castle.

In August, a luxury resort hotel, the 270 room Holiday Inn, Grand Island opened its doors. Situated on an Island in the Niagara River, and set in a secluded area, the Inn overlooks the river and has an adjacent 18 hole championship golf course. Tennis courts, indoor and outdoor pools, saunas, children's movies and games rooms complete the Inn's resort atmosphere.

In November the announcement was made by the Company of the beginning of construction of the world's largest Holiday Inn, in Montreal - Holiday Inn, Montreal - Centre, an 870 room, 43 storey luxury hotel to be built at Dorchester Boulevard West and Drummond Street in downtown Montreal. This hotel will open in February, 1976 in time for the Olympic Games to be held in the city during the summer.

The Company's first Inn in France was opened in December - Holiday Inn, Tignes Val d'Isere, a 150 room luxury hotel built 8,000 feet above sea-level among the peaks of the famous Val d'Isere skiing area. The Inn's high elevation ensures adequate snow for all-year-round skiing. During the same month, Holiday Inn, Trinidad, W.I. a 253 high-rise hotel with a revolving rooftop restaurant opened. Located in the downtown area of Port-of-Spain, it will serve both the business and vacationing traveller.

This year, 1974, began with the opening of the 418 room Holiday Inn, Winnipeg-Downtown, the Company's 50th Inn. Located in the heart of Winnipeg, the hotel's design incorporates several unusual features; a huge indoor swimming pool and multi-level recreation area, Caribbean rooms overlooking the pool and futuristic year 2,000 rooms, decorated with an eye to the future, in addition to more conventional suites. The hotel is connected by overhead bridge to Winnipeg's new Convention Centre.

February and April witnessed the openings of Inns in Collingwood, (80 rooms) and Owen Sound, (80 rooms) both cities located in one of the summer/winter resort areas of central Ontario.

Holiday Inn, Halifax-Centre recently opened. It is a 14 storey, 186 room Inn located in the centre of the city, quite close to the famous Citadel.

Commonwealth Holiday Inns slated for opening later during the year are:

Cornwall	July	80 rooms
Sault Ste Marie	July	200 rooms
Sherbrooke, Quebec	July	120 rooms
Estoril, Portugal	July	186 rooms
Orillia, Ontario	October	80 rooms
Montreal-Pointe Claire, Quebec	November	312 rooms

During 1975, the new 22 storey, 350 room Holiday Inn, London City-Centre will open in March, increasing that city's number of downtown first class Holiday Inn rooms to more than 600, and the city's three Holiday Inns will then provide a total in excess of 900 first class hotel rooms.

Other Inns to be opened during 1975 will be:

Quebec City-Downtown, Quebec	January	250 rooms
Saskatoon-Downtown, Alberta	February	200 rooms
Vancouver-Harbour Side, B.C.	April	454 rooms
Timmins, Ontario	May	80 rooms
Algarve, Portugal	May	300 rooms

In 1976, so far the following Inns will be opened:

Montreal-Centre, Quebec	February	868 rooms
Lisbon-Downtown, Portugal	May	300 rooms

16 INNS ARE PRESENTLY UNDER CONSTRUCTION, TOTALLING 4,187 ROOMS.

This growth would not have been possible had it not been for Mr. Rubinoff's success in gathering around him a competent and skilled group of planners and administrators headed and directed by Mr. Ernest B. Fletcher, President and Chief Operating Officer of the Company. This team was guided and advised by an experienced Board of Directors. None of the Company's achievements would have been attained but for the devoted service of Innkeepers, Departmental Heads, and each member of the Inns' staffs and Head Office staff.

Above all, much is owed to the tremendous amount of assistance, information, advice and help extended to the Company by Holiday Inns Incorporated of America through its great wealth of experience, and such indispensable aids as the Holidex (R) reservation system, the vast network of Holiday Inns, Innkeepers' School, Holiday Inn University, the great resources provided by the International Association of Holiday Inns marketing and advertising programmes, and the constant flow of information and innovative ideas.

Commonwealth Holiday Inns of Canada, an integrated international system of food and lodging facilities, ranging from wayside motels and resorts, to major downtown hotels across Canada, in the United States, the Caribbean, Great Britain and Europe.

A full, integrated Company, operating internationally, a leader in its field, selecting, planning, designing, constructing, furnishing, equipping, operating and marketing, more hotel properties than any other Canadian Company. A record of unrivalled achievement behind it, a dynamic future yet to be realized.

Coast to Coast in Canada

Thirteen years ago in London, Ontario, the opening of a 120 room Holiday Inn marked the beginning of our company, which was later to become Commonwealth Holiday Inns of Canada Limited. With the completion of the Vancouver-Broadway Inn earlier this year, the company's operations now stretch coast to coast across Canada, into the United States, south to six Caribbean Islands, across the Atlantic to Great Britain, France and Portugal. There are 64 Inns now in operation and under construction, for a total of nearly 16,000 rooms, representing an investment of more than \$400 million.



Holiday Inn Montréal-Dominion Square (Opening 1976)



Holiday Inn Toronto-Downtown



Holiday Inn Halifax-Centre

Cover, clockwise from top left:

- Holiday Inn Grand Island/Niagara (U.S.A.)
- Holiday Inn Port of Spain (Trinidad)
- Holiday Inn London-Swiss Cottage (U.K.)
- Holiday Inn Ottawa-Centre (Canada)

Financial Highlights

Year ended October 31, 1974

	1974	1973	Change
Sales — all Inns	\$109,545,456	\$ 83,896,032	+ 31%
Sales — excluding managed Inns	\$ 99,691,716	\$ 75,909,304	+ 31%
Earnings before taxes	\$ 6,020,114	\$ 5,615,594	+ 7%
Provision for income taxes	\$ 3,360,000	\$ 2,975,000	
Earnings from operations	\$ 2,660,114	\$ 2,640,594	
Dividends on preferred shares	\$ 203,014		
Earnings available to common shareholders (before extraordinary item)	\$ 2,457,100	\$ 2,640,594	- 7%
Per Share	46¢	50¢	
Extraordinary Item	\$ 293,951		
Earnings available to common shareholders	\$ 2,163,149	\$ 2,640,594	
Per Share	41¢	50¢	
Cash flow from operations*	\$ 11,550,997	\$ 9,412,941	+ 23%
Per Share	\$ 2.17	\$ 1.77	
Working capital	\$ 2,128,202	\$ 62,027	
Additions to plant and equipment	\$ 20,115,644	\$ 28,523,564	- 29%
Total assets at year end	\$133,335,462	\$119,591,737	+ 11%

*Cash flow consists of earnings from operations plus charges which do not require an outlay of funds.

Corporate Offices

304 York Street
London, Ontario N6B 1P8

Regional Offices

Holiday Inn, Swiss Cottage
128 King Henry's Road
London, NW3 3ST
England

Imperial Bank of Commerce Building
Broad Street
Room 303
Bridgetown, Barbados

Registrar and Transfer Agent

The Registrar for the Common Shares and the Preferred Shares is Canada Permanent Trust Company at its principal offices at Toronto, Montreal, London, Winnipeg, Regina, Calgary and Vancouver. The Transfer Agent for the Common Shares and the Preferred Shares is the Royal Trust Company at its principal offices at Toronto, Montreal, London, Winnipeg, Regina, Calgary and Vancouver.

Sales Offices

CANADA
Montreal, Quebec
Toronto, Ontario
Calgary, Alberta
Vancouver, British Columbia

UNITED STATES
New York, New York
Buffalo, New York

EUROPE
London, England

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Printed in Canada

Report to the Shareholders

On behalf of the Board of Directors, we are pleased to present the annual report on operations and the financial statements of your Company for the fiscal year ended October 31, 1974.

- Gross operating revenue for the period under review reached \$109,545,456, an increase of 31%, exceeding the \$100 million mark for the first time.
- Earnings available to common shareholders (before an extraordinary item) decreased by 7% to \$2,457,100 or 46¢ per share, reflecting the effect of lower occupancy levels in the Company's off shore Inns due to higher air travel costs and uncertain worldwide economic conditions. By contrast, notwithstanding the addition of a substantial number of room units to the Company's Canadian Inns, as noted below, the Canadian operation experienced substantial increases in revenue and earnings together with improved operating margins confirming our belief that Canada's tourist industry would not be adversely affected during 1974 by petroleum shortages in the United States.
- Cash flow from operations has grown threefold in the past five years and in 1974 increased by 23% to \$11,550,997 or \$2.17 per share. This is an important measure of the Company's financial strength—its ability to meet current obligations and finance growth from funds generated internally.

During the year, your Company reached several important milestones in its relatively short history with the opening in Winnipeg of its 50th Inn and as mentioned earlier, achieving more than \$100,000,000 in gross revenue. In addition to Winnipeg, the Company opened new Inns at Collingwood, Owen Sound, Cornwall and Sault Ste. Marie, Ontario; Newcastle, England; Port of Spain, Trinidad; and managed Inns at Halifax, Nova Scotia, and Tignes, France, adding almost 1,800 rooms to operations for a total of 10,909 at year end.

The performance of each of the Company's Inns is subject to review by management on an on-going basis to ensure that revenue and profit are maintained at acceptable levels. In keeping with this policy, the Company's leasehold interest in the Holiday Inn of Pontiac, Michigan was recently sold to another franchise holder who operates other Holiday Inns in the United States.

Recently, the Company consummated a joint management agreement with Holiday Inns, Inc. under the terms of which the Company will operate the latter company's five Inns located in Birmingham, Dover, Leicester, Liverpool and London-Heathrow Airport in the United Kingdom. The Company now operates eleven Inns in that country with a total of 2,607 rooms.

We are pleased to announce the appointment of Robert A. Rubinoff as Executive Vice President of the Company. He has been in charge of the Company's development and operations in the United Kingdom and Europe for the past six years. Mr. Rubinoff will shortly be relocated in the Canadian Executive Offices of the Company at London, Ontario.



David Rubinoff, Chairman of the Board, and Ernest B. Fletcher, President

We face the many challenges that 1975 will present with confidence, strengthened in our knowledge of the experience, skills and dedication of the Company's more than 8,000 employees in Canada and abroad. On behalf of the Directors, we extend our gratitude to them for the valuable contributions they have made to the Company's progress during the past year.

March 1, 1975

Chairman of the Board and Chief Executive Officer

President and Chief Operating Officer

Directors and Officers



From left to right: Hon. John P. Robarts, P.C., Q.C.; Frank W. Adams; Albert E. Shepherd, Q.C.;

Directors

David Rubinoff*
Chairman of the Board and
Chief Executive Officer
Commonwealth Holiday Inns of Canada Limited,
London, Ontario

Ernest B. Fletcher*
President and Chief Operating Officer
Commonwealth Holiday Inns of Canada Limited,
London, Ontario

Albert E. Shepherd, Q.C.* †
Senior Vice President
Commonwealth Holiday Inns of Canada Limited,
Barrister and Solicitor, Partner of Shepherd, McKenzie,
Plaxton, Little & Jenkins, London, Ontario

Frank W. Adams
Senior Vice President and Division
President
Commercial Services Division, Holiday Inns, Inc.,
Memphis, Tennessee

Ludwick M. Clymer
President
Holiday Inns, Inc., Memphis, Tennessee

Frederick W. P. Jones* †
Professor
School of Business Administration, University of
Western Ontario, London, Ontario

Hon. John P. Robarts, P.C., Q.C.
Barrister and Solicitor
Partner of Stikeman, Elliott, Robarts and Bowman,
Toronto, and Robarts, Betts, McLennan and Flinn,
London, Ontario

David B. Weldon* †
President
Midland Doherty Limited, Toronto, Ontario

*Member of the Executive Committee
†Member of the Audit Committee

Corporate Officers

David Rubinoff
Chairman of the Board and
Chief Executive Officer

Ernest B. Fletcher
President and Chief Operating Officer

Robert A. Rubinoff
Executive Vice President

Edward C. Campbell
Senior Vice President,
Operations Administrator

Albert E. Shepherd, Q.C.,
Senior Vice President,
General Counsel

Ronald M. Thomas
Senior Vice President,
Finance & Corporate Planning

Andre R. Pettigrew
Group Vice President & Treasurer

Philip Eprile
Vice President, Design and Planning

W. Harvey Gleason
Vice President and Controller

Charles H. King
Vice President and Secretary



David B. Weldon; David Rubinoff; Ernest B. Fletcher; Frederick W.P. Jones; Ludwick M. Clymer

John C. Logan
Vice President, Project Development

Raymond R. Yelle
Vice President, Director of
European Operations

Jeanette M. Stevens
Assistant Vice President and
Assistant Secretary

Division Vice Presidents

Juergen E. Bartels
District Director

William G. Campbell
Director of Security

Charles A. Cline
Director of Personnel

Hans J. Demuth
Director of Food and Beverage

James A. Havers
District Director

Anthony G. Malloy
Director of Internal Audit

Ian M. Marshall
Director of Advertising and
Public Relations

John C. Peskett
Director of Sales

Theodore Smits
Director of Construction,
Planning and Maintenance

George J. Zaritzky
Director of Financial Planning

Assistant Vice Presidents

Lewis Blum
District Director

Bert M. Bornhoeft
District Director

William R. Janzen
Director of Systems and
Data Processing

Gordon R. Langford
District Director

William Mathews
Projects Development

Lloyd D. Monteith
Assistant Controller

John D. Pleasence
District Director

Frederick W. Sillett
Insurance and Assessments

Shirley M. Smith
Personnel Manager

Lorenzo Tommasi
District Director

Philip Eprile Associates Limited Associated Innkeeper's Supply Company

Philip Eprile, President
Kenneth Pharoah, General Manager

Consolidated balance sheet

October 31, 1974 (with comparative amounts for 1973)

ASSETS	1974	1973
Current:		
Cash	\$ 6,801,508	\$ 4,130,928
Accounts receivable	7,221,528	5,728,805
Amount due under sale commitment		3,850,000
Inventories—at the lower of cost and net realizable value	2,826,046	1,606,687
Prepaid expenses	1,928,925	1,021,308
	18,778,007	16,337,728
Fixed—at cost—Notes 2 and 12:		
Land	4,861,883	3,568,011
Buildings, leaseholds, etc.	62,723,396	45,255,343
Furnishings and equipment	24,343,718	20,883,336
	91,928,997	69,706,690
Less accumulated depreciation and amortization	12,158,822	9,141,739
	79,770,175	60,564,951
Major renovations (net of amortization to date of \$1,302,202 in 1974 and \$759,246 in 1973)	2,356,997	2,041,868
	82,127,172	62,606,819
Inns under construction		
—at cost (of which land amounts to \$2,352,374 in 1974; \$3,530,916 in 1973)	18,628,699	27,527,740
Investments—Note 3	7,547,399	6,942,168
Deferred costs and franchises:		
Opening and development costs—net—Note 4	3,517,694	3,808,727
Cost of borrowing—net—Note 4	1,001,619	922,617
Franchises—Holiday Inns, Inc.—at cost	1,734,872	1,445,938
	6,254,185	6,177,282
	\$133,335,462	\$119,591,737

(See accompanying notes)

LIABILITIES**1974****1973****Current:**

Accounts payable and accrued charges	\$ 13,690,802	\$ 10,766,862
Taxes payable	1,417,684	786,098
Long term debt payable within one year	1,541,319	4,722,741

16,649,805 16,275,701

Long term debt—Note 5

73,560,663 70,568,181

Deferred gains

(net of amortization to date of \$205,800 in 1974 and \$151,018 in 1973) 1,440,332 1,272,300

Deferred income taxes—Note 6

14,646,986 11,521,602

Minority interest in subsidiary company

797,309 616,756

Shareholders' equity:

Capital—Note 7

Authorized:

800,000 preferred shares of \$25 par value each (nil in 1973)

7,425,000 common shares of no par value (7,425,000 common shares of \$1 par value each in 1973)

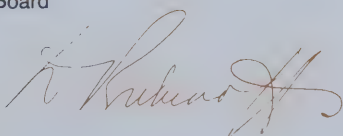
Issued and fully paid:

200,000 8% cumulative, redeemable convertible preferred shares—Series A	5,000,000	
5,317,731 common shares (1974 and 1973)	5,317,731	5,317,731
Contributed surplus	4,267,025	4,267,025
Retained earnings—Note 8	11,655,611	9,752,441
	26,240,367	19,337,197

\$ 133,335,462**\$ 119,591,737**

On behalf of the Board

Director



Director



Consolidated statement of earnings

Year ended October 31, 1974 (with comparative amounts for 1973)

	1974	1973
Total sales of company operated and managed Inns and other revenues	\$ 109,545,456	\$ 83,896,032
Less sales of managed Inns	10,463,283	8,477,405
	99,082,173	75,418,627
Management fees	609,543	490,677
Sales and other revenues—company only	\$ 99,691,716	\$ 75,909,304
Earnings from operations before charges as set out below	\$ 28,907,361	\$ 21,592,610
Rent	10,948,000	7,942,355
Depreciation and amortization	3,925,131	2,980,682
Amortization of deferred expenses	1,418,534	606,853
Interest on long term debt	6,153,582	4,202,126
	22,445,247	15,732,016
	6,462,114	5,860,594
Equity in losses of affiliate— <i>Note 3</i>	442,000	245,000
Earnings before taxes on income and extraordinary item	6,020,114	5,615,594
Taxes on income— <i>Note 6</i>	3,360,000	2,975,000
Earnings before extraordinary item	2,660,114	2,640,594
Extraordinary item: Foreign exchange loss on repayment of long term debt due in Deutsch Marks (net of accumulated deferred foreign exchange gains)	293,951	
Net earnings for year	\$ 2,366,163	\$ 2,640,594
Earnings per share—<i>Note 13</i>:		
Earnings before extraordinary item	\$ 0.46	\$ 0.50
Net earnings	\$ 0.41	\$ 0.50

(See accompanying notes)

Consolidated statement of retained earnings

Year ended October 31, 1974 (with comparative amounts for 1973)

	1974	1973
Balance beginning of year	\$ 9,752,441	\$ 7,111,847
Add net earnings for year	2,366,163	2,640,594
	12,118,604	9,752,441
Deduct:		
Dividends on preferred shares	203,014	
Expenses in connection with issue of preferred shares (net of income taxes of \$142,600)	259,979	
	462,993	
Balance end of year	\$ 11,655,611	\$ 9,752,441

Consolidated statement of contributed surplus

Year ended October 31, 1974 (with comparative amounts for 1973)

	1974	1973
Balance beginning of year	\$ 4,267,025	\$ 4,173,450
Excess over par value of common shares issued during year		93,575
Balance end of year	\$ 4,267,025	\$ 4,267,025

(See accompanying notes)

Consolidated statement of changes in financial position

Year ended October 31, 1974 (with comparative amounts for 1973)

	1974	1973
Working capital beginning of year	\$ 62,027	\$ 1,955,621
Source of funds:		
Operations consisting of:		
Earnings for year before extraordinary item	2,660,114	2,640,594
Add		
Deferred income taxes	3,160,000	2,975,000
Depreciation and amortization	5,343,665	3,587,535
Other non-cash items	387,218	209,812
	11,550,997	9,412,941
Gain on foreign exchange futures		265,232
Mortgages and other long term loans	10,196,190	19,306,661
Investment by minority interest in shares of a subsidiary	180,553	114,891
Sale of shares (net of share issue expense in 1974)	4,597,420	103,425
Amount due under sale commitment		3,850,000
Sale of fixed assets	2,400,000	
	28,925,160	33,053,150
Application of funds:		
Purchase of fixed assets (including Inns under construction) and major renovations	20,115,644	28,523,564
Investments	1,047,231	368,011
Deferred expenses	1,206,503	1,903,986
Franchises	288,934	274,931
Reduction of long term debt (including foreign exchange loss in 1974)	3,997,659	3,876,252
Dividends on preferred shares	203,014	
	26,858,985	34,946,744
Increase (decrease) in working capital	2,066,175	(1,893,594)
Working capital end of year	\$ 2,128,202	\$ 62,027

(See accompanying notes)

Auditors' Report

To the Shareholders of
Commonwealth Holiday Inns of Canada Limited.

We have examined the consolidated balance sheet of Commonwealth Holiday Inns of Canada Limited and its subsidiaries as at October 31, 1974 and the consolidated statements of earnings, retained earnings, contributed surplus and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1974 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Canada.
January 6, 1975.

Clarkson, Gordon & Co.,
Chartered Accountants.

Notes to the Consolidated Financial Statements

October 31, 1974

1. Significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the company, its wholly-owned subsidiaries and its partly-owned subsidiary (65%) Allied Inn Keepers of Trinidad and Tobago Limited. The minority interest in the results of operations of this partly-owned subsidiary is included with rent expense in the consolidated statement of earnings (1974 \$58,550 loss; 1973—Nil).

The investment in shares of Allied Innkeepers (Bermuda) Limited which represents a 33⅓% equity interest is accounted for on an equity basis (see also Note 3).

Foreign exchange

In the accompanying consolidated financial statements, the translation of foreign currencies into Canadian dollars has been made on the following basis:

Current assets and current liabilities	—at the exchange rates in effect as at the balance sheet date
Non-current assets and non-current liabilities	—at the exchange rates in effect when the assets were acquired or the liabilities incurred
Sales and expenses	—at the average exchange rates for the year

Fixed assets

The company follows the policy of capitalizing interest and property taxes during the construction period in respect of owned Inns and those costs and expenses incurred during the construction period not paid for by the owners in respect of leased Inns. These latter expenditures are carried as leasehold costs.

Additionally, the company follows the policy of capitalizing certain expenses and reducing the provision for depreciation and amortization during a period immediately following the opening of both owned and leased Inns (subject to predetermined maximum amounts) on the following basis. During the period beginning with the date on which any rooms are first available to be rented and ending not later than twelve months thereafter, rent, interest, insurance, property taxes, depreciation and amortization are charged to income in accordance with a scale established by reference to occupancy. In any month to which this policy applies, such expenses, charged to income, cannot be reduced, by the operation of the policy, below an amount equal to the income from the particular Inn immediately before such charges. In accounting for this policy the provision for depreciation and amortization is reduced during the applicable period and the appropriate portion of rent, interest, insurance and property taxes is added to either buildings or leasehold costs and depreciated at the company's normal rates.

Depreciation and amortization is computed on a straight-line basis at the following annual rates:

Building and leaseholds	*2½%
Paving	4
Furniture and equipment	9
Swimming pools	10

*A higher rate is applied to leaseholds if, at the time of the expenditure, the remaining term of the lease plus one renewal period is less than 40 years.

Major renovations

The costs of major renovation programs, consisting primarily of replacement of equipment and major maintenance, are deferred and amortized over a sixty month period.

Deferred costs

Costs incurred in connection with the development and opening of Inns are deferred and amortized over the first sixty months of operations. Costs incurred in connection with obtaining long term debt are deferred and amortized over the term of the respective borrowing.

Deferred gains

Gains realized by the company on sale and leaseback transactions are deferred and transferred to income over the terms of the applicable leases.

Income taxes

Income taxes are provided on the basis of accounting income. Income taxes not currently payable, resulting from claiming for income tax purposes deferred costs as incurred, interest during the construction period and capital cost allowances in excess of depreciation and amortization, are credited to deferred income taxes. This account will be charged in those future years, when, as a result of the application of these timing differences, income taxes actually payable will be greater than the amounts provided for in those years. (see Note 6)

2. Fixed assets

A major portion of the real estate and furniture and equipment is pledged to secure mortgages and other long term debt.

The total of amounts carried as leasehold costs in the accompanying consolidated financial statements by virtue of the application of accounting policies referred to in Note 1, amounts to \$8,730,000 (\$8,525,000 in 1973).

3. Investments

This consists of investments in Allied Innkeepers (Bermuda) Limited and certain other companies, particulars of which are as follows:

	1974	1973
Allied Innkeepers (Bermuda) Limited:		
Ordinary shares (33⅓%)—at cost	\$ 240,000	\$ 240,000
Debentures—at cost	6,326,054	5,570,054
Advances on open account	1,419,792	1,073,530
	7,985,846	6,883,584
Less reduction in carrying value of investment	1,704,292	1,262,292
	6,281,554	5,621,292
Shares of company in Guadeloupe (39%)—at cost	198,388	198,388
Debentures of company which owns the Inn in St. Lucia (pledged as security for certain long term debt)	1,067,457	1,122,488
	\$7,547,399	\$6,942,168

As the company accounts for its investment in shares of Allied Innkeepers (Bermuda) Limited on an equity basis, an additional provision of \$442,000 has been made in 1974 for the company's share of the loss of that company for its year ended September 30, 1974.

During the year \$756,000 of advances on open account was converted into debentures.

4. Deferred costs

These consist of the cost and accumulated amortization of deferred costs which have not been fully amortized at October 31, 1974.

			Unamortized balance October 31	
	Cost	Accumulated amortization	1974	1973
Deferred opening and development costs	\$5,031,149	\$1,513,455	\$3,517,694	\$3,808,727
Deferred cost of borrowing	1,491,154	489,535	1,001,619	922,617
	\$6,522,303	\$2,002,990	\$4,519,313	\$4,731,344

During the year ended October 31, 1974, deferred costs were increased by \$1,206,503 and were reduced by amortization of \$1,418,534. Additionally, pre-opening and development costs of \$887,376, which were fully amortized, were eliminated from the accounts.

5. Long term debt

Long term debt outstanding at October 31, 1974 and 1973 consists of:

	1974		1973
	Payable within one year	Amount	
(a) Real estate mortgages payable: 8½%-12½% first and second mortgages due on varying dates from 1975 to 1999	\$1,177,533	\$53,531,531	\$46,032,646
Payable in foreign currency			
U.S. \$27,577,782 (Cdn. \$27,445,412)			
T.T. \$ 4,400,000 (Cdn. \$ 2,109,300)			
U.K. £ 125,000 (Cdn. \$ 287,500)			
(b) Sinking fund debentures payable:			
7½% senior debentures maturing December 1, 1979 (sinking fund payment of \$100,000 in each of the years 1975 to 1979 and \$50,000 on maturity)	100,000	550,000	650,000
7% series "A" subordinated debentures matured June 30, 1974			200,000
6% series "B" subordinated debentures maturing June 30, 1979 (sinking fund payments of \$40,000 annually)	40,000	200,000	200,000
	140,000	750,000	1,050,000

(c) Secured notes payable: 6 ⁷ / ₈ % secured notes maturing June 30, 1991, repayable semi-annually by payments of blended principal and interest of \$428,000 U.S. commencing December 31, 1974 (secured by mortgages and first floating charge on certain property) (\$8,500,000 U.S.)	280,967	8,659,977	8,659,977
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Deduct amount of secured notes assumed by Allied Innkeepers (Bermuda) Limited (\$1,730,000 U.S.) for which the company remains directly liable	57,181	1,762,477	1,762,477
	223,786	6,897,500	6,897,500

(d) Due to bankers: Term bank loans due \$1,000,000 in November 1975, and \$2,120,593 in November 1976. (The \$1,120,593 loan is secured by the assignment of a debenture (see note 3) and the balance of \$2,000,000 is secured by a \$5,000,000 floating charge debenture and the assignment of accounts receivable)	3,120,593	3,133,120	
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(e) Interim financing repayable from proceeds of committed mortgage loans (secured by first mortgages on certain properties)	10,802,358	18,177,656	
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Payable in foreign currency U.S. \$4,268,622 (Cdn. \$4,179,816)	\$1,541,319	75,101,982	75,290,922
Less payable within one year		1,541,319	4,722,741
	\$73,560,663	\$70,568,181	

Instalments of long-term debt (excluding interim financing) payable each year for the next five years are:

1975—\$1,541,319	1978—\$7,553,227
1976— 9,285,929	1979— 3,447,705
1977— 7,747,496	

6. Income taxes

Deferred taxes were further increased during the year by \$3,125,384 particulars of which are as follows:

Taxes on income	\$3,360,000
Provision for taxes on deferred gains	107,984
	3,467,984
Less reduction in income taxes relating to expenses in connection with issue of preferred shares	142,600
	3,325,384
Deduct portion of above included in current liabilities	200,000
	\$3,125,384

7. Capital

By Articles of Amendment dated April 1, 1974 the authorized capital of the company was increased by the creation of 800,000 preferred shares with a par value of \$25 each. These shares are issuable in series and during the year ended October 31, 1974, the company issued 200,000 of these preferred shares as 8% cumulative redeemable convertible preferred shares, Series A with a par value of \$25 each to underwriters for cash of \$5,000,000.

The preferred shares, Series A, are redeemable after April 29, 1979 at their par value plus a premium of \$1.50 if redeemed prior to April 29, 1982; \$1.00 if redeemed thereafter and prior to April 29, 1985; \$0.50 if redeemed thereafter and prior to April 29, 1988; and without premium thereafter and will be convertible into common shares on or prior to April 30, 1979 on the basis of 3 common shares for each preferred share and thereafter to April 30, 1984 on the basis of 2¹/₂ common shares for each preferred share.

By Articles of Amendment dated April 1, 1974 the 7,425,000 authorized common shares of \$1.00 par value were converted into 7,425,000 common shares of no par value.

As at October 31, 1974, common shares are reserved as follows:

For issuance under share purchase warrants—		
at \$2.00 per share (expiring June 30, 1978)	250,000	
at \$8.00 per share (expiring November 1, 1984)	250,026	
	500,026	
For issuance to employees—		
at \$7.00 per share	*27,300	
at 10% below market price at date option is granted	22,700	50,000
For issuance to preferred shareholders under conversion privileges attaching to the preferred shares—Series A	600,000	
	1,150,026	

*During the year, the options granted to employees to purchase common shares at \$10.90 per share were cancelled and new options were granted to purchase 27,300 common shares at \$7.00 per share.

8. Restrictions on dividends

The trust indentures relating to the sinking fund debentures and the preferred shares—Series A contain various restrictions relating to the payment of dividends (other than dividends on the preferred shares—Series A), the redemption, cancellation or retirement of the company's shares or any other such distributions. As at October 31, 1974, under the most restrictive provision, \$3,366,163 was available for any such distributions.

9. Contingent liabilities and commitments

The company is contingently liable with respect to certain indebtedness and commitments assumed by Allied Innkeepers (Bermuda) Limited in connection with the sale of net assets to that company in 1972. As at October 31, 1974, such indebtedness of Allied Innkeepers (Bermuda) Limited amounts to \$450,000 and such commitments which relate to lease payments over the next twenty years in respect of two Caribbean Inns amount to \$10,400,000.

These amounts are in addition to the \$1,762,477 of 6⁷/₈% secured notes which were assumed by Allied Innkeepers (Bermuda) Limited for which the company remains directly liable. (See Note 5)

The cost to complete Inns under construction as at October 31, 1974 has been estimated at \$14,174,000 extending into 1976, no portion of which is reflected in the accompanying consolidated financial statements. The company is committed to purchase an interest in two additional Inns, upon their completion, at a cost of approximately \$5,000,000.

Certain of the mechanics liens registered against two of the company's Inns during 1971 by reason of the insolvency of the general contractor engaged to construct these Inns remain unsettled as at October 31, 1974. In the opinion of the company's solicitor, after all adjustments have been made, the company will not suffer losses in respect of the properties referred to above in excess of amounts included in liabilities in the accompanying consolidated financial statements.

10. Long-term leases and fees

The company has entered into agreements to lease properties which are operated as Inns for periods varying from 4 to 90 years at total minimum rentals for the remaining terms of the leases of approximately \$347,000,000. Total minimum fixed rentals per year as at October 31, 1974 approximate \$9,100,000. In the case of certain leases, increased rentals may be payable if Inn revenues exceed specified amounts. Certain leases provide the company with options to purchase the leased properties. The company has also entered into agreements to lease additional properties to be operated as Inns in the future for 10-30 year periods at annual minimum rentals of approximately \$2,000,000.

Under its agreements with Holiday Inns, Inc., the company is required to pay royalties and assessments for advertising and other services which currently amount to approximately \$3,000,000 annually. It has also entered into miscellaneous equipment leases extending to 1983 which require annual rental payments of approximately \$1,680,000 (\$8,050,000 for the remaining terms of the leases).

Rentals which are determined as a percentage of revenues with no minimum amounts are excluded from the calculation of the above amounts.

Under the terms of the agreement relating to the 6⁷/₈% secured notes, the company has agreed not to permit minimum annual lease obligations on real property located in Canada and continental United States to exceed 12% of the net book value of the company's fixed assets located within these two countries. As at October 31, 1974, these minimum annual lease obligations were less than 12% of the net book value of the applicable fixed assets.

11. Statutory information

The aggregate direct remuneration paid or payable by the company and its subsidiaries to directors and senior officers amounted to \$624,000 for the year ended October 31, 1974 (\$549,000 in 1973). This remuneration includes directors' fees of \$14,400 for 1974 and \$9,991 for 1973.

The liability in respect of past service pension costs not provided for in the accompanying consolidated financial statements as at October 31, 1974 amounts to \$475,500. This amount is to be paid in annual instalments of \$40,800 over the next three years and \$32,100 over the following ten years. During 1973, past service pension costs totalling \$41,500 were charged to expense. All other pension costs are provided and paid for in the year in which such costs are incurred.

12. Appraisal value of real estate

Fixed assets and major renovations related to the company's owned Inns (excluding Inns under construction) which are included in the accompanying consolidated balance sheet at a net book value of \$52,137,000 have an appraisal value of \$80,100,000 based on appraisals by Metropolitan Trust Company during 1973 with subsequent additions at cost. These appraisal values represent depreciated replacement cost of all of the Inn assets plus a value which has been attributed to the Holiday Inn franchises.

13. Earnings per share

Earnings per common share have been calculated on the weighted average number of common shares actually outstanding during the year. Fully diluted earnings per share have not been shown as the difference from earnings per share is immaterial.

Ten Year Financial Review

Thousands of dollars

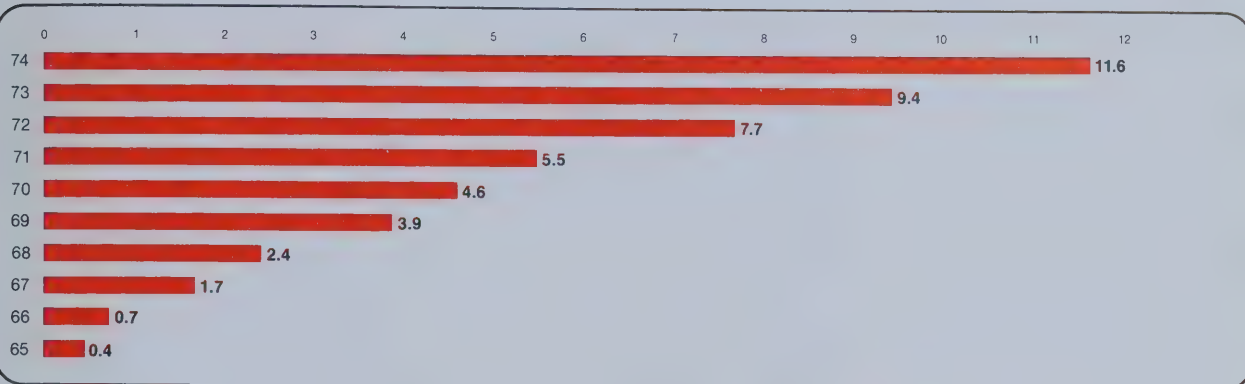
	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
Results for the year										
Sales—all Inns	\$109,545	83,896	63,122	44,716	34,561	25,432	17,654	12,454	7,062	3,567
Sales—excluding managed Inns	99,692	75,909	56,843	43,024	33,259	25,432	17,654	12,454	7,062	3,567
Earnings from Operations*	2,660	2,641	2,165	1,590	1,330	1,176	641	468	112	51
Cash Flow from Operations**	11,551	9,413	7,660	5,500	4,620	3,877	2,375	1,726	691	384
Depreciation and Amortization	5,344	3,588	2,786	2,184	1,850	1,379	1,038	778	478	277
Additions to Plant and Equipment	20,116	28,524	22,990	18,460	10,954	10,996	7,653	3,224	5,053	3,081
Year End Position										
Working Capital	2,128	62	1,956	1,996	716	184	592	(964)	(421)	(1,447)
Fixed Assets at Cost	114,217	100,036	75,104	58,823	43,804	32,918	25,025	17,274	13,967	8,965
Total Assets	133,335	119,592	89,516	66,243	49,571	36,031	27,052	17,856	15,596	10,502
Long Term Debt	73,561	70,568	54,322	38,726	32,333	22,593	21,545	13,776	12,114	7,462
Shareholders' Equity	26,240	19,337	16,593	14,399	8,066	6,783	1,932	1,372	1,015	53
General Statistics										
Preferred Shares Outstanding	200				4	4	4	4	4	
Common Shares										
—Outstanding	5,318	5,318	5,308	5,305	2,427	2,411	2,050	2,050	2,050	2,000
—Reserved for Conversion and Options	1,150	550	565	517	3,964	3,959	3,950	675	675	
—Total Outstanding and Reserved	6,468	5,868	5,873	5,822	6,391	6,370	6,000	2,725	2,725	2,000
Inns in Operation	54	46	39	34	27	23	17	14	10	5
Rooms in Operation	10,909	9,255	7,400	5,754	4,164	3,499	2,558	2,166	1,441	639

*Before dividends on preferred shares in applicable years and extraordinary loss of \$293,951 in 1974.

**Cash flow consists of earnings from operations plus charges which do not require an outlay of funds.

Ten Years of Growth

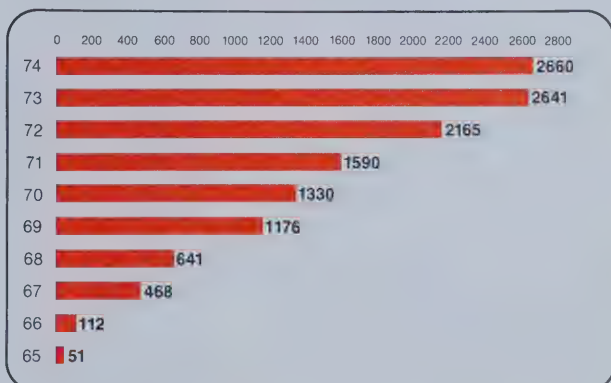
Cash Flow from Operations (millions of dollars)



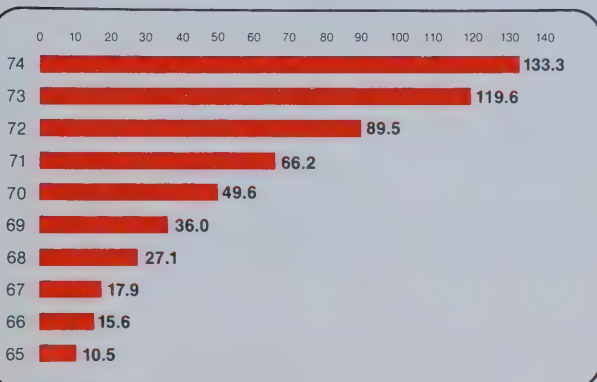
Sales (millions of dollars)



Earnings from Operations (thousands of dollars)



Total Assets (millions of dollars)



Shareholders' Equity (millions of dollars)



Inns and Innkeepers

British Columbia

Vancouver-Broadway, *Fred Piefke*

Alberta

Edmonton, *Dario Pozzy*
Lethbridge, *Randy Pringle*

Manitoba

Winnipeg-Downtown, *Henry Drosse*

Ontario

Kenora, *Paul Wagner*
Thunder Bay, *Donald Beard*
Sault Ste. Marie, *Peter Pappoulas*
Sudbury, *Murray Ede*
Windsor, *John Brezsnjak*
Chatham, *John Freier*
Sarnia, *Ted Isaac*
London-South, *Roger Croxall*
London-City Centre (formerly
London-Downtown),
Nick Thompson-Wood, Gen. Mgr.
Kitchener, *Donald MacAfee*
Cambridge, *Gus Kuppers*
Brantford, *Gary Robinson*
Hamilton, *Irvine Phillips*
Burlington, *Anthony Miele*
St. Catharines, *Terrance O'Brien*
Oakville, *Martin Larkin*
Toronto-Downtown, *Rudy Berger*
Toronto-Don Valley, *Bernhard Kainer*
Toronto-Yorkdale, *Henning Svendsen*
Toronto-East, *Douglas Escott*
Toronto-West, *Peter Pattera*
Toronto-Airport, *Dokse Perkin*
Oshawa, *Gerry Kniehl*
Orillia, *Bruce Lee*
Barrie, *John Clarke*
Collingwood, *Greg Gouthreau*
Owen Sound, *Ralph Sabourin*
Huntsville, *David Wright*
Peterborough, *Leonard Moran*
Kingston, *Gerrard Leyendeckers*
Cornwall, *Rene Cornu*
Ottawa-Centre, *Joseph Slomka*
Ottawa-Downtown, *Ingo Koch*

Québec

Montréal-Longueuil, *Guy Warnery*
Montréal-Pointe Claire, *Henri Lajoie*
Sherbrooke, *Raynald Ouellet*
Québec City-Downtown,
Georges Villedary

Nova Scotia

Halifax-Centre, *Robert Moore*
Sydney, *Grant Channing*

Michigan

Port Huron, *Kenneth Pfetsch*

New York

Grand Island-Buffalo/Niagara,
Ed Schwannecke

Innkeeper at Large

Mrs. M. A. Anderson

Caribbean

Antigua, *Edward Van Empel*
Grenada, *Vidar Wilberg*
Barbados, *Javier Benavente*
St. Lucia, *Malcolm Teixeira*
St. Kitts, *Darryl Belazaire*
Port of Spain, Trinidad, *Robert Perrin*
Innkeeper at Large, *Carsten Flindt*

Portugal

Madeira, *Horst Berl*

France

Tignes, Val d'Isère, *Jean-Pierre Amberg*

United Kingdom

Plymouth, *H. Bosch*
London-Marble Arch, *F. V. Ternofsky*
London-Swiss Cottage, *Peter Hollaus*
Slough/Windsor, *Jan Hubrecht*
Bristol, *Tony Forster*
Newcastle, *Dudley Osborn*

London-Heathrow Airport, *Patrick Dignan* †
Birmingham-City Centre, *Mike Bastiaanse* †
Dover-City Centre, *P. J. Taylor* †
Leicester-City Centre, *Wolf Baumbach* †
Liverpool-City Centre, *John Ferguson* †

Under construction

British Columbia

Vancouver-Harbour Side, *Derek Toms**

Saskatchewan

Saskatoon-Downtown, *Ed Conrad**

Ontario

London-City Centre Tower,
Nick Thompson-Wood, Gen. Mgr.,
London-City Centre Complex*
Timmins*
Wallaceburg*

Québec

Montréal-Dominion Square** †

Portugal

Algarve*
Lisbon**
Estoril*

Caribbean

Guadeloupe**

* Opening 1975 —

** Opening 1976-77 —

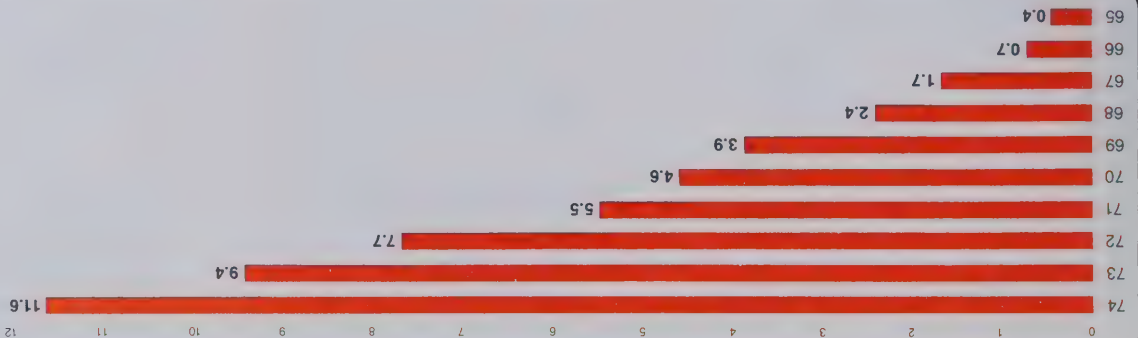
† Jointly operated with Holiday Inns, Inc.

‡ Jointly operated with Atlific Inns, Inc.

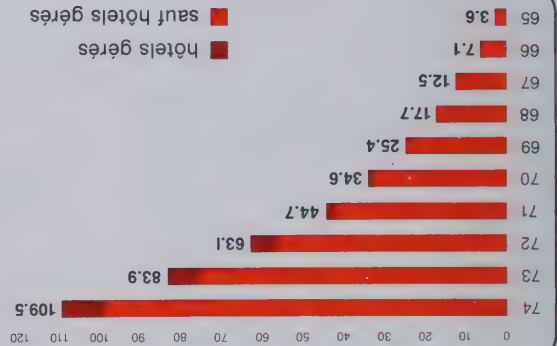
Hotels et gérants d'hôtels

Colombie-Britannique	Vancouver-Broadway, Fred Piefke
Alberta	Edmonton, Dario Pozzy Lethbridge, Randy Pringle
Manitoba	Winnipeg-Downtown, Henry Drosse
Ontario	Kenora, Paul Wagner Thunder Bay, Donald Beard Sault Ste. Marie, Peter Pappoulas Sudbury, Murray Ede Windsor, John Breznayak Chatham, John Freier Sarnia, Ted Isaac London-South, Roger Croxall London-City Centre (autrefois London-Downtown), Nick Thompson-Wood, Directeur général
Ontario	Kitchener, Donald MacAfee Cambridge, Gus Kupperts Brantford, Gary Robinson Hamilton, Irvine Phillips Burlington, Anthony Miele St. Catharines, Terrence O'Brien Oakville, Martin Larkin Toronto-Downtown, Rudy Berger Toronto-Don Valley, Bernhard Kainer Toronto-Yorkdale, Henning Svendsen Toronto-East, Douglas Escott Toronto-West, Peter Patera Toronto-Airport, Dokes Perkin Oshawa, Gerry Kniehl Orillia, Bruce Lee Barrie, John Clarke Collingwood, Greg Gouthreau Owen Sound, Ralph Sabourin Huntsville, David Wright Peterborough, Leonard Leyendeckers Cornwall, Rene Cornu Ottawa-Centre, Joseph Slomka Ottawa-Downtown, Ingo Koch
Québec	Montréal-Longueuil, Guy Warnery Montréal-Pointe-Claire, Henri Lajoie Sherbrooke, Raynald Ouellet Québec-Centre-ville, Georges Villedary
Nouvelle-Écosse	Halifax-Centre, Robert Moore Sydney, Grant Channing
Michigan	Port Huron, Kenneth Pletsch
New York	Grand Island-Buttalo/Niagara, Ed Schwannecke Autre gérant d'hôtel, Mimi M. A. Anderson
Les Antilles	Antigua, Edward Van Empe Grenada, Vidar Wilberg Barbade, Javier Benavente Ste-Lucie, Malcolm Teixeira St. Kitts, Darryl Belazaire Port of Spain, Trinidad, Robert Perrin Autre gérant d'hôtel, Carsten Flindt
Portugal	Madeira, Horst Berl
France	Tignes, Val d'Isère, Jean-Pierre Amberg Royaume-Uni Plymouth, H. Bosch Londres-Marble Arch, F. V. Ternofsky Londres-Swiss Cottage, Peter Hollaus Slough/Windsor, Jan Hubrecht Bristol, Tony Forster Newcastle, Dudley Osborn Londres-Aéroport Heathrow, Patrick Dignan † Birmingham-City Centre, Mike Bastiaanse † Dover-City Centre, P. J. Taylor † Leicester-City Centre, Wolf Baumbach † Liverpool-City Centre, John Ferguson †
En construction	
Colombie-Britannique	Vancouver-Harbour Side, Derek Toms*
Saskatchewan	Saskatoon-Downtown, Ed Conrad*
Ontario	London-City Centre Tower, Nick Thompson-Wood, Directeur général, London-City Centre Complex* Timmins* Wallaceburg*
Québec	Montréal-Carré Dominion** †
Portugal	Algarve*
Les Antilles	Lisbonne** Estoril*
Guadeloupe**	
	* Inauguration en 1975 ** Inauguration en 1976, 1977 † Opère conjointement avec Holiday Inns, Inc. ‡ Opère conjointement avec Aftic Inns, Inc.

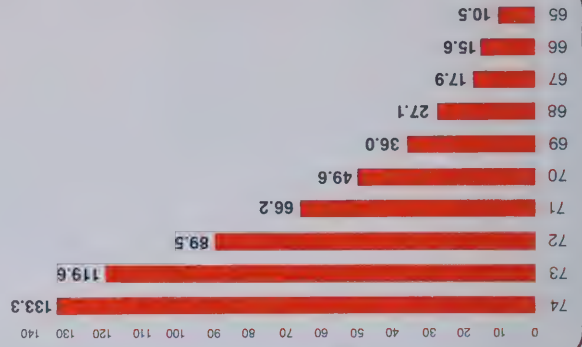
Fonds autogénérés (en millions de dollars)



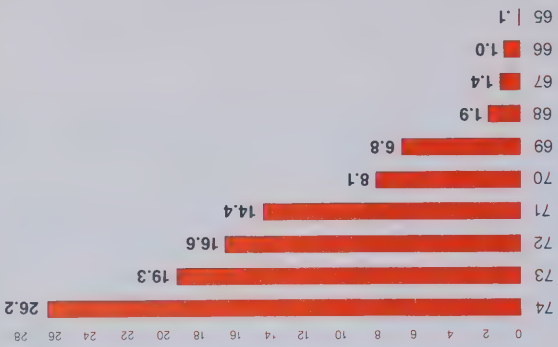
Ventes (en millions de dollars)



Total de l'actif (en millions de dollars)



Participation des actionnaires (en millions de dollars)



Bénéfice d'exploitation (en milliers de dollars)



Récapitulation financière de dix années

(en milliers de dollars)

Résultats pour l'année										
Ventes — tous les hôtels	\$109,545	83,896	63,122	44,716	34,561	25,432	17,654	12,454	7,062	3,567
Ventes — sauf les hôtels gérés	99,692	75,909	56,843	43,024	33,259	25,432	17,654	12,454	7,062	3,567
Bénéfice d'exploitation*	2,660	2,641	2,165	1,590	1,330	1,176	641	468	112	51
Fonds autogénérés (cash flow)**	11,551	9,413	7,660	5,500	4,620	3,877	2,375	1,726	691	384
Amortissements	5,344	3,588	2,786	2,184	1,850	1,379	1,038	778	478	277
Additions — immobilisations	20,116	28,524	22,990	18,460	10,954	10,996	7,653	3,224	5,053	3,081
Situation en fin d'année										
Fonds de roulement	2,128	62	1,956	1,996	716	184	592	(964)	(421)	(1,447)
Immobilisations au coût	114,217	100,036	75,104	58,823	43,804	32,918	25,025	17,274	13,967	8,965
Total de l'actif	133,335	119,592	89,516	66,243	49,571	36,031	27,052	17,856	15,596	10,502
Dette à long terme	73,561	70,568	54,322	38,726	32,333	22,593	21,545	13,776	12,114	7,462
Avoir des actionnaires	26,240	19,337	16,593	14,399	8,066	6,783	1,932	1,372	1,015	53
Statistiques générales										
Actions privilégiées en cours	200				4	4	4	4	4	4
Actions ordinaires										
— en cours	5,318	5,318	5,308	5,305	2,427	2,411	2,050	2,050	2,050	2,000
— réserves pour conversion et option	1,150	550	565	517	3,964	3,959	3,950	675	675	
— total, réserves et en cours	6,468	5,868	5,873	5,822	6,391	6,370	6,000	2,725	2,725	2,000
Hôtels exploités	54	46	39	34	27	23	17	14	10	5
Chambres exploitées	10,909	9,255	7,400	5,754	4,164	3,499	2,558	2,166	1,441	639

* Avant dividendes sur actions privilégiées pour les années concernées et la perte extraordinaire de \$293,951 en 1974.
 ** Les fonds autogénérés (cash flow) représentent le bénéfice d'exploitation plus les frais n'entraînant pas de déboursés.

Ces valeurs estimatives représentent le coût de remplacement amorti de tous les éléments d'actif des hôtels plus une valeur qui a été attribuée aux concessions de Holiday Inn.

13. Bénéfice par action

Le bénéfice par action ordinaire a été calculé d'après la moyenne pondérée du nombre des actions ordinaires réellement en circulation au cours de l'exercice. Le bénéfice par action dilué n'a pas été indiqué, car la différence qu'il présente avec le bénéfice par action est négligeable.

Aux termes de ses accords avec Holiday Inns, Inc., la compagnie doit payer des redevances et des cotisations pour la publicité et d'autres services dont le coût actuel s'élève annuellement à \$3,000,000 environ. Elle est également partie à des baux pour la location de matériel divers dont les loyers annuels qui se prolongeront jusqu'en 1983 sont d'environ \$1,680,000 (\$8,050,000 pour le terme à courtir des baux). Les loyers établis d'après un pourcentage des revenus et ne comportant aucun montant minimum sont exclus du calcul des montants ci-dessus.

Aux termes d'une entente relative aux effets garantis 67½%, la compagnie a convenu de ne pas permettre que ses obligations locatives minimums annuelles à l'égard de biens immobiliers situés au Canada et sur le territoire continental des Etats-Unis excèdent 12% de la valeur comptable nette des immobilisations de la compagnie situées dans ces deux pays. Au 31 octobre 1974, ces obligations locatives minimums annuelles étaient inférieures à 12% de la valeur comptable nette de ces immobilisations.

11. Renseignements statutaires

La rémunération globale directe versée ou à verser par la compagnie et ses filiales aux administrateurs et aux dirigeants supérieurs, s'est élevée à \$624,000 pour l'exercice terminé le 31 octobre 1974 (\$549,000 en 1973). La rémunération comprend les honoraires des administrateurs de \$14,400 pour 1974 et \$9,991 pour 1973.

L'engagement de la compagnie relatif aux frais de retraite pour services passés et dont on n'a pas tenu compte dans les états financiers consolidés ci-joints se chiffre à \$475,500 au 31 octobre 1974. Ce montant doit être payé en versements annuels de \$40,800 au cours des trois prochaines années, et de \$32,100 au cours des dix suivantes. Au cours de 1973, les frais de retraite pour services passés totalisant \$41,500 ont été passés à dépenses. Tous les autres frais de retraite sont comptabilisés et payés dans l'exercice au cours duquel ils sont encourus.

12. Valeur estimative des biens immobiliers

Les immobilisations et les rénovations majeures relatives aux hôtels dont la compagnie est propriétaire (à l'exception des hôtels en construction) ayant été inscrites au bilan consolidé ci-joint à une valeur comptable nette de \$52,137,000 ont une valeur estimative de \$80,100,000 selon des estimations de la Metropolitan Trust Company effectuées au cours de 1973 et auxquelles les additions subséquentes ont été ajoutées au coût.

9. Passif éventuel et engagements

La compagnie s'est portée garante de certaines dettes et de certains engagements assumés par Allied Inkeepers (Bermuda) Limited relativement à la vente d'éléments d'actif net à cette compagnie en 1972. Au 31 octobre 1974, ces dettes d'Allied Inkeepers (Bermuda) Limited s'élevaient à \$450,000 et ces engagements relatifs au paiement des baux de deux hôtels des Antilles au cours des vingt prochaines années se chiffraient à \$10,400,000.

Ces montants s'ajoutent aux effets garantis de \$1,762,477 à 67% qui ont été assumés par Allied Inkeepers (Bermuda) Limited et pour lesquels la compagnie demeure directement responsable. (Voir Note 5)

Au 31 octobre 1974, le coût de parachèvement des hôtels en construction dont les travaux se poursuivront jusqu'en 1976 a été estimé à \$14,174,000 et n'est reflété en aucune façon aux états financiers consolidés ci-joints. La compagnie s'est engagée à acquiescer à une participation dans deux autres hôtels à un prix estimatif de \$5,000,000 dès qu'ils auront été achevés.

La question de certains privilèges dits "mechanics liens", dont ont été grevés deux hôtels de la compagnie au cours de 1971 à cause de l'insolvabilité de l'entrepreneur général chargé de leur construction, n'avait pas été réglée au 31 octobre 1974. De l'avis de l'avocat de la compagnie, et après que toutes les rectifications aient été effectuées, la compagnie n'enregistrera à l'égard de ces propriétés aucune perte supérieure aux montants compris dans le passif des états financiers consolidés ci-joints.

10. Baux à long terme et honoraires

La compagnie a conclu des ententes pour la location de propriétés exploitées comme hôtels pour des périodes variant de 4 à 90 ans à un prix total minimum de l'ordre de \$347,000,000 pour le terme à court des baux. Au 31 octobre 1974, le loyer fixe total minimum s'élevait à environ \$9,100,000 par année. Dans certains cas, une augmentation de loyer peut être exigible si les revenus de l'hôtel excèdent un montant déterminé. Certains baux accordent à la compagnie un droit d'achat sur les propriétés louées. La compagnie a également conclu des ententes pour la location d'autres propriétés qui seront exploitées comme hôtels à l'avenir, pour des périodes de 10 à 30 ans pour un loyer annuel minimum d'environ \$2,000,000.

8. Restriction sur les dividendes

Les actes de fiducie relatifs aux déventures à fonds d'amortissement et aux actions privilégiées — série A, renferment diverses restrictions touchant le paiement de dividendes (autres que les dividendes sur les actions privilégiées — série A), le rachat, l'annulation ou le retrait des actions de la compagnie ou toute autre distribution semblable. Au 31 octobre 1974, selon les conditions les plus restrictives, une somme de \$3,366,163 était disponible pour toutes telles distributions.

* Au cours de l'exercice, les droits d'achat d'actions ordinaires accordés aux employés au prix de \$10.90 l'action ont été annulés et de nouveaux droits ont été accordés pour l'achat de 27,300 actions ordinaires au prix de \$7 l'action.

Pour émission en vertu de droits d'achat d'actions —		250,000	250,026
à \$2 l'action (expiration le 30 juin 1978)			
à \$8 l'action (expiration le 1er novembre 1984)			
Pour émission à des employés —		500,026	
à \$7 l'action			
à 10% de moins que le cours du marché			
au moment où le droit d'achat est consenti		22,700	
Pour émission à des détenteurs d'actions			
priviliégées en vertu de privilèges de			
conversion liés aux actions			
priviliégées — série A		600,000	
			1,150,026

Le remboursement annuel de la dette à long terme (à l'exception du financement provisoire) au cours des cinq prochains exercices s'établit comme suit:

1975—\$1,541,319	1976 — 9,285,929	1977 — 7,747,496
1978 — \$7,553,227	1979 — 3,447,705	

6. Impôts sur le revenu

Les impôts sur le revenu reportés se sont accrus à nouveau de \$3,125,384 au cours de l'exercice. Cette augmentation s'établit comme suit:

Impôts sur le revenu	\$3,360,000
Provision pour impôts sur les gains reportés	107,984
Moins réduction des impôts sur le revenu correspondant aux dépenses relatives à l'émission d'actions privilégiées	142,600
Moins partie de ce qui précède comprise dans le passif à court terme	200,000
	\$3,125,384

7. Capital

Par voie d'articles d'amendement en date du 1^{er} avril 1974, le capital-actions autorisé de la compagnie a été augmenté par la création de 800,000 actions privilégiées d'une valeur au pair de \$25 chacune. Ces actions sont émissibles en séries et, au cours de l'exercice terminé le 31 octobre 1974, la compagnie a émis 200,000 de ces actions à des souscripteurs à forfait sous forme d'actions privilégiées à 8% cumulatif, rachetables, convertibles, série A, d'une valeur au pair de \$25 chacune, contre une somme en espèces de \$5,000,000.

(c) Effets garantis à payer:

Effets garantis 67/8%, échéant le 30 juin 1991, remboursables en versements semestriels composés de capital et d'intérêt de U.S. \$428,000 à compter du 31 décembre 1974 (garantis par des hypothèques et une charge flottante de premier rang sur certains biens) (U.S. \$8,500,000)

Moins le montant des effets garantis assumés par Allied Inkeepers (Bermuda) Limited (U.S. \$1,730,000) dont la compagnie responsable directement responsable

280,967	8,659,977	8,659,977
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(d) A payer aux banquiers: Emprunts bancaires à terme dont \$1,000,000 échéant en novembre 1975 et \$2,120,593 en novembre 1976. (L'emprunt de \$1,120,593 est garanti par la cession d'une débiteure (voir Note 3) et le solde \$2,000,000 est garanti par une débiteure de \$5,000,000 avec charge flottante et la cession de comptes à recevoir)

57,181	1,762,477	1,762,477
223,786	6,897,500	6,897,500

e) Financement provisoire remboursable à même le produit d'emprunts hypothécaires engagés (garanti par des premières hypothèques sur certains biens)

3,133,120	3,120,593	10,802,358
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A payer en devises étrangères, U.S. \$4,268,622 (Can. \$4,179,816)

\$1,541,319	75,101,982	75,290,922
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Moins somme à payer en déca d'un an

1,541,319	4,722,741	\$73,560,663
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3. Placements

Ces placements ont été effectués dans Allied Inkeepers (Bermuda) Limited et dans quelques autres compagnies de la façon suivante:

1974	1973
Allied Inkeepers (Bermuda) Limited:	
Actions ordinaires (33 1/3%) — au coût	\$ 240,000
Débitures — au coût	6,326,054
Avances sur compte courant	1,419,792
Moins diminution de la valeur comptable	7,985,846
	1,704,292
du placement	6,281,554
Actions de la compagnie en Guadeloupe	198,388
(39%) — au coût	198,388
Débitures de la compagnie	
propriétaire de l'hôtel à Sainte-Lucie	
(nanties en garantie de certaines	1,067,457
dettes à long terme)	\$7,547,399
	\$6,942,168

La compagnie comptabilisant son placement dans les actions d'Allied Inkeepers (Bermuda) Limited à la valeur de consolidation, une provision additionnelle de \$442,000 a été faite en 1974 relativement à la partie de la perte encourue par cette dernière au cours de son exercice terminé le 30 septembre 1974 et attribuée à la compagnie.

Au cours de l'exercice, des avances sur compte courant d'une valeur de \$756,000 ont été converties en débiteures.

4. Frais reportés

Ces frais sont constitués du coût et de l'amortissement accumulé des frais reportés qui n'ont pas été entièrement amortis au 31 octobre 1974.

Amortissement accumulé	Coût	1974	1973
Frais reportés			
d'ouverture et			
de			
développement	\$5,031,149	\$3,517,694	\$3,808,727
Frais d'emprunt			
reportés	1,491,154	489,535	1,001,619
	\$6,522,303	\$2,002,990	\$4,519,313
		\$4,731,344	

Au cours de l'exercice terminé le 31 octobre 1974, les frais reportés ont augmenté de \$1,206,503 et ont été réduits de \$1,418,534 par amortissement. En outre, les frais de préouverture et de développement de \$887,376 ayant été entièrement amortis, ont été rayés des livres.

5. Dette à long terme

La dette à long terme en cours au 31 octobre 1974 et 1973 est constituée comme suit:

A payer en déca d'un an	1974	1973
Montant		
a) Hypothèques sur biens immobiliers à payer:		
Premières et deuxièmes hypothèques 8 1/2-12 1/2% échéant à diverses dates de 1975 à 1999	\$1,177,533	\$53,531,531
A payer en devises étrangères		
U.S. \$27,577,782 (Can. \$27,445,412)		
T.T. \$ 4,400,000 (Can. \$ 2,109,300)		
U.K. £ 125,000 (Can. \$ 287,500)		
b) Débitures à fonds d'amortissement à payer:		
Débitures prioritaires 7 1/2%, échéant le 1er décembre 1979 (versement de \$100,000 au fonds d'amortissement chaque année de 1975 à 1979, et \$50,000 à l'échéance)	100,000	550,000
Débitures subordonnées 7%, série "A", échues le 30 juin 1974		
Débitures subordonnées 6%, série "B", échéant le 30 juin 1979 (versements annuels de \$40,000 au fonds d'amortissement)	40,000	200,000
	140,000	750,000
		1,050,000

Notes sur les états financiers consolidés

1. Principales conventions comptables

Principes de consolidation
Les états financiers consolidés comprennent les comptes de la filiale en copropriété (65%), Allied Inn Keepers of Trinidad and Tobago Limited. La participation minoritaire aux résultats d'exploitation de cette filiale en copropriété est incluse avec la dépense de loyers dans l'état consolidé des bénéfices (1974 — perte de \$58,550; 1973 — Néant).
Le placement effectué dans les actions d'Allied Innkeepers (Bermuda) Limited représente une participation à l'avoir de 33 1/3% et est comptabilisé à la valeur de consolidation (voir également Note 3).

Devises étrangères
Dans les états financiers consolidés ci-joints, la conversion des devises étrangères en dollars canadiens a été effectuée de la façon suivante:
Actif et passif à court terme — au cours du change en vigueur à la date du bilan
Actif et passif à long terme — au cours du change en vigueur à la date du bilan
Ventes et dépenses — au cours moyen du change pour l'exercice
ont été contractées
été acquis ou lorsque les dettes
lorsque les éléments d'actif ont
long terme

Immobilisations
La compagnie suit la politique de capitalisation des intérêts et des impôts fonciers au cours de la période de construction en ce qui concerne les hôtels dont elle est propriétaire. Il en est ainsi des dépenses encourues au cours de la période de construction qui ne sont pas payées par les propriétaires en ce qui concerne les hôtels loués. Ces dernières dépenses sont comptabilisées au poste des immobilisations.
En outre, la compagnie suit la politique de capitalisation de certains dépenses et de réduction de la provision pour amortissement au cours d'une période suivant immédiatement l'ouverture des hôtels qu'elle loue ou dont elle est propriétaire (sous réserve de montants maximums déterminés d'avance). Au cours de la période commençant à la date où les premières chambres sont offertes en location et se terminant douze mois après au plus tard, les loyers, les intérêts, les impôts fonciers et l'amortissement sont imputés sur le revenu conformément à une échelle établie en fonction de la proportion des chambres occupées. Sans égard au mois où cette politique s'exerce, ces dépenses imputées sur le revenu ne peuvent être réduites à un montant inférieur à celui des revenus de l'hôtel en particulier, immédiatement avant qu'il ne soit tenu compte de ces dépenses. Suivant cette politique, la provision pour amortissement est réduite au cours de la période, et la partie attribuée aux loyers, intérêts, assurances et impôts fonciers est ajoutée soit au coût des bâtiments ou des immeubles loués et amortie aux taux habituels de la compagnie.

2. Immobilisations

Impôts sur le revenu
Les impôts sur le revenu sont établis d'après le revenu comptable. Les impôts sur le revenu qui ne sont pas exigibles à court terme à la suite de la déduction aux fins de l'impôt sur le revenu des frais reportés au moment où ils sont encourus, de l'intérêt accumulé au cours de la période de construction et des allocations du coût en capital excédant les amortissements sont crédités aux impôts sur le revenu reportés. Ce compte sera imputé au cours des prochains exercices lorsque, à la suite de l'application de ces différences imposable, le montant des impôts sur le revenu qui doivent être réellement payés sera supérieur aux montants établis pour ces exercices. (voir Note 6)

Frais reportés
Les frais encourus à la suite du développement et de l'ouverture d'hôtels sont reportés et amortis sur les six premiers mois d'exploitation. Les frais encourus relatifs à l'obtention de dettes à long terme sont reportés et amortis durant le terme de chaque emprunt.
Gains reportés
Les gains réalisés par la compagnie sur des transactions de vente et de relocation sont reportés et virés au revenu pendant la durée des baux correspondants.
Renovations majeures
Les frais des programmes de renovations majeures consistant d'abord dans le remplacement du matériel et dans l'entretien principal, sont reportés et amortis sur une période de six mois.

Les amortissements sont calculés selon la méthode linéaire aux taux annuels suivants:

Bâtiments et immeubles loués	*2 1/2%
Pavage	4
Mobilier et matériel	9
Piscines	10

*Les immeubles loués commandent un taux plus élevé lorsqu'au moment de la dépense, la partie non échue du bail en vigueur plus un renouvellement représente une période inférieure à 40 ans.

Une partie importante des biens immobiliers, du mobilier et du matériel a été nantie en garantie d'hypothèques et d'autres dettes à long terme.
Le total des montants comptabilisés au poste des immeubles loués dans les états financiers consolidés ci-joints en raison de l'application des conventions comptables mentionnées à la Note 1, s'élève à \$8,730,000 (\$8,525,000 en 1973).

État consolidé de l'évolution de la situation financière

Exercice terminé le 31 octobre 1974 (avec montants comparatifs pour 1973)

Fonds de roulement au début de l'exercice		
1974	\$	62,027
1973	\$	1,955,621
Provenance des fonds:		
Exploitation — Comptant:		
Bénéfice de l'exercice avant poste extraordinaire	2,660,114	
Plus —		
Impôts sur le revenu reportés	3,160,000	
Amortissements	5,343,665	
Autres éléments non liquides	387,218	
Gain sur opérations de devises étrangères	11,550,997	
Hypothèques et autres emprunts à long terme	10,196,190	
Investissement d'une participation minoritaire dans les actions d'une filiale	180,553	
Vente d'actions (déduction faite des dépenses d'émission d'actions en 1974)	4,597,420	
Montant à recevoir en vertu d'un engagement de vente		2,400,000
Vente d'immobilisations		28,925,160
Utilisation des fonds:		
Achat d'immobilisations	20,115,644	
(y compris les hôtels en construction) et rénovations majeures	1,047,231	
Placements	1,206,503	
Frais reportés	288,934	
Concessions		274,931
Diminution de la dette à long terme		3,876,252
(y compris la perte sur devises étrangères en 1974)	3,997,659	
Dividendes sur actions privilégiées	203,014	
	26,858,985	
	34,946,744	
Augmentation (diminution) du fonds de roulement	2,066,175	(1,893,594)
Fonds de roulement à la fin de l'exercice		\$ 62,027

(Voir les notes ci-jointes)

Rapport des vérificateurs

Aux actionnaires de
Commonwealth Holiday Inns of Canada Limited.

Nous avons examiné le bilan consolidé de Commonwealth Holiday Inns of Canada Limited et de ses filiales au 31 octobre 1974 ainsi que l'état consolidé des bénéfices, l'état consolidé des bénéfices non répartis, l'état consolidé du surplus d'apport et l'état consolidé de l'évolution de la situation financière pour l'exercice terminé à cette date. Notre examen a comporté une revue générale des procédés comptables ainsi que les sondages des registres comptables et autres preuves à l'appui que nous avons

London, Canada,
le 6 janvier 1975.

[signature]
l'exercice précédent.

Clarkson, Gordon & Cie,
Comptables Agréés.

A notre avis, ces états financiers consolidés présentent fidèlement la situation financière des compagnies au 31 octobre 1974, ainsi que les résultats de leur exploitation et l'évolution de leur situation financière pour l'exercice terminé à cette date, conformément aux principes comptables généralement reconnus, lesquels ont été appliqués de la même manière qu'au cours de l'exercice précédent.

État consolidé des bénéfices non répartis

Exercice terminé le 31 octobre 1974 (avec montants comparatifs pour 1973)

	1974	1973
Solde au début de l'exercice	\$ 9,752,441	\$ 7,111,847
Plus bénéfice net de l'exercice	2,366,163	2,640,594
	12,118,604	9,752,441
Moins:		
Dividendes sur actions privilégiées	203,014	
Depenses relatives à l'émission d'actions privilégiées	259,979	
(déduction faite des impôts sur le revenu de \$142,600)	462,993	
Solde à la fin de l'exercice	\$ 11,655,611	\$ 9,752,441

État consolidé du surplus d'apport

Exercice terminé le 31 octobre 1974 (avec montants comparatifs pour 1973)

	1974	1973
Solde au début de l'exercice	\$ 4,267,025	\$ 4,173,450
Excédent sur la valeur au pair des actions ordinaires émises au cours de l'exercice	93,575	
Solde à la fin de l'exercice	\$ 4,267,025	\$ 4,267,025

(Voir les notes ci-jointes)

État consolidé des bénéfices

Exercice terminé le 31 octobre 1974 (avec montants comparatifs pour 1973)

1974	1973
\$ 109,545,456	\$ 83,896,032
Ventes totales des hôtels exploités et gérés par la compagnie et autres revenus	
10,463,283	8,477,405
Moins ventes des hôtels gérés par la compagnie	
99,082,173	75,418,627
Honoraires de gestion	
609,543	490,677
\$ 99,691,716	\$ 75,909,304
Ventes et autres revenus — compagnie seulement	
Bénéfice d'exploitation avant les frais énumérés ci-dessous	
\$ 28,907,361	\$ 21,592,610
Loyers	
10,948,000	7,942,355
Amortissements des immobilisations	
3,925,131	2,980,682
Intérêt sur la dette à long terme	
6,153,582	4,202,126
22,445,247	15,732,016
6,462,114	5,860,594
Participation aux pertes d'une compagnie affiliée — Note 3	
442,000	245,000
Bénéfice avant impôts sur le revenu et poste extraordinaire	
6,020,114	5,615,594
Impôts sur le revenu — Note 6	
3,360,000	2,975,000
2,660,114	2,640,594
Bénéfice avant poste extraordinaire	
Poste extraordinaire:	
Perte sur devises étrangères au paiement de la dette à long terme remboursable en marks allemands (déduction faite des gains sur devises étrangères reportés et accumulés)	
293,951	
\$ 2,366,163	\$ 2,640,594
Bénéfice net de l'exercice	
\$ 0.46	\$ 0.50
\$ 0.41	\$ 0.50
Bénéfice par action — Note 13:	
Bénéfice avant poste extraordinaire	
Bénéfice net	

(Voir les notes ci-jointes)

PASSIF

1973

Passif à court terme:

\$ 10,766,862	\$ 13,690,802
Comptes à payer et frais courus	
Impôts et taxes à payer	
Dettes à long terme à rembourser en déca d'un an	
4,722,741	1,541,319
16,275,701	16,649,805

Dettes à long terme—Note 5

70,568,181	73,560,663
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Gains reportés (moins amortissement à ce jour de \$205,800 en 1974 et \$151,018 en 1973)

1,272,300	1,440,332
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Impôts sur le revenu reportés—Note 6

11,521,602	14,646,986
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Participation minoritaire dans une filiale

616,756	797,309
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Avoir des actionnaires:

Capital—Note 7

Autorisé:

800,000 actions privilégiées d'une valeur au pair de \$25 chacune (aucune en 1973)

7,425,000 actions ordinaires sans valeur au pair

(7,425,000 actions ordinaires d'une valeur au pair de \$1 chacune en 1973)

Emis et entièrement acquitté:

200,000 actions privilégiées, 8% cumulatif,

rachetables et convertibles—Série A

5,317,731 actions ordinaires (1974 et 1973)

Surplus d'apport

Bénéfices non répartis—Note 8

19,337,197	26,240,367
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5,317,731	5,317,731
4,267,025	4,267,025
9,752,441	11,655,611

\$ 119,591,737	\$ 133,335,462
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Pour le Conseil:

Administrateur

[Signature]

Administrateur

[Signature]

ACTIF		1974	1973
Actif à court terme :			
Encaisse	\$ 6,801,508		\$ 4,130,928
Comptes à recevoir	7,221,528		5,728,805
Montant à recevoir en vertu d'un engagement de vente			3,850,000
Stocks — au moindre du coût et de la valeur nette de réalisation	2,826,046		1,606,687
Frais payés d'avance	1,928,925		1,021,308
	18,778,007		16,337,728
Immobilisations — au coût — Notes 2 et 12 :			
Terrains	4,861,883		3,568,011
Bâtiments, immeubles loués, etc.	62,723,396		45,255,343
Mobilier et matériel	24,343,718		20,883,336
	91,928,997		69,706,690
Moins amortissements accumulés	12,158,822		9,141,739
	79,770,175		60,564,951
Rénovations majeures (moins amortissement à ce jour de \$1,302,202 en 1974 et \$759,246 en 1973)	2,356,997		2,041,868
	82,127,172		62,606,819
Hôtels en construction — au coût (y compris le coût des terrains de \$2,352,374 en 1974; \$3,530,916 en 1973)			
	18,628,699		27,527,740
Placements — Note 3			
Frais reportés et concessions :			
Frais d'ouverture et de développement — net — Note 4	3,517,694		3,808,727
Frais d'emprunt — net — Note 4	1,001,619		922,617
Concessions — Holiday Inns, Inc. — au coût	1,734,872		1,445,938
	6,254,185		6,177,282
	\$133,335,462		\$119,591,737

(Voir les notes ci-jointes)



David B. Weidon; David Rubinoff; Ernest B. Fletcher; Frederick W. P. Jones; Ludwick M. Clymer

John C. Logan
Vice-président, Développement des projets
Raymond R. Yelle
Vice-président,
Directeur des opérations européennes

Jeanette M. Stevens
Vice-président adjoint et
Secrétaire adjoint

Vice-présidents divisionnaires

Juergen E. Bartels
Directeur de district
William G. Campbell
Directeur de la sécurité

Charles A. Cline
Directeur du personnel

Hans J. Demuth
Directeur des aliments et boissons

James A. Havers
Directeur de district

Anthony G. Malloy
Contrôleur de la vérification interne

Ian M. Marshall
Directeur de la publicité et
des relations publiques

John C. Peskett
Directeur des ventes

Theodore Smits
Directeur de construction,
planification et entretien

George J. Zaritzky
Directeur de planification financière

Vice-présidents adjoints

Lewis Blum

Bert M. Bornhoft
Directeur de district

William R. Janzen
Directeur de l'informatique

Gordon R. Langford
Directeur de district

William Mathews
Développement des projets
Lloyd D. Monteith
Contrôleur adjoint

John B. Pleasence
Directeur de district

Frederick W. Sillett
Assurance et évaluation

Shirley M. Smith
Directeur du personnel

Lorenzo Tommasi
Directeur de district

**Philip Eprile Associates Limited
Associated Innkeeper's Supply
Company**

Philip Eprile, Président
Kenneth Pharoah, Directeur général



De gauche à droite: L'Hon. John P. Roberts, C.P., C.R.; Frank W. Adams; Albert E. Shepherd, C.R.

Conseil d'administration

David Rubinoff*
Président du Conseil d'administration
et Directeur général de l'administration
Commonwealth Holiday Inns of Canada Limited,
London, Ontario

Ernest B. Fletcher*
Président et Directeur administratif en chef
Commonwealth Holiday Inns of Canada Limited,
London, Ontario

Albert E. Shepherd, C.R.* †
Premier vice-président,
Commonwealth Holiday Inns of Canada Limited,
Avocat et Conseiller juridique,
Associé de la firme Shepherd, McKenzie, Plaxton,
Little & Jenkins, London, Ontario

Frank W. Adams
Premier vice-président et Président
divisionnaire,
Division des services commerciaux,
Holiday Inns, Inc., Memphis, Tennessee

Ludwick M. Clymer
Président,
Holiday Inns, Inc., Memphis, Tennessee

Direction de la compagnie

Frederick W. P. Jones* †
Professeur,
Faculté d'administration des affaires de
l'Université Western Ontario, London, Ontario

L'Hon. John P. Roberts, C.P., C.R.
Avocat et Conseiller juridique,
Associé des firmes Siskeman, Elliott, Roberts and
Bowman, Toronto et Roberts, Betts, McLennan and
Flinn, London, Ontario

David B. Weidon †
Président,
Midland Doherty Limited, Toronto, Ontario

*Membre du Comité de vérification
†Membre du Comité exécutif

Robert A. Rubinoff
Vice-président administratif

Edward C. Campbell
Premier vice-président,
Administrateur des opérations

Albert E. Shepherd, C.R.
Premier vice-président, Conseil général

Ronald M. Thomas
Premier vice-président,
Finances et planification

Andre R. Pettigrew
Vice-président de groupe et Trésorier

Philip Eprile
Vice-président,
Conception et planification

W. Harvey Gleason
Vice-président et Contrôleur

Charles H. King
Vice-président et Secrétaire

Ernest B. Fletcher
Président et Directeur administratif en chef

Au nom du Conseil d'administration, nous avons le plaisir de vous présenter le rapport annuel des opérations et les états financiers de votre Compagnie pour l'exercice financier terminé le 31 octobre 1974.

- Les revenus bruts d'exploitation ont atteint \$109,545,456, marquant une augmentation de 31%, et excédant la somme de \$100 millions pour la première fois.
- Le bénéfice net de \$2,457,100 ou 46¢ par action, à la disposition des actionnaires ordinaires, a marqué une baisse de 7% (avant le poste extraordinaire). Cela est dû principalement à la baisse des visiteurs dans les hôtels insulaires de la Compagnie par suite de la majoration des prix du transport aérien et de la situation économique incertaine dans le monde entier. Par contre, nonobstant l'addition d'un nombre substantiel de chambres dans les hôtels canadiens de la Compagnie, tel qu'indiqué ci-dessous, l'exploitation canadienne a marqué une augmentation de revenus et de bénéfices nets ainsi que des marges d'exploitation améliorées, ce qui confirme notre conviction que l'industrie touristique canadienne ne subirait pas de revers en 1974 par suite de la pénurie d'essence aux États-Unis.
- Les fonds autogénérés ont triple au cours des derniers cinq ans et ont marqué une augmentation de 23% s'élevant ainsi à \$11,550,997 ou \$2.17 par action. Cela représente un facteur important dans l'évaluation des capacités financières de la Compagnie, lui permettant de rencontrer les obligations courantes et une croissance financière incessante à partir de revenus internes.

Au cours de l'année, votre Compagnie a atteint plusieurs objectifs importants avec l'inauguration de son cinquantième hôtel, situé à Winnipeg, et comme nous l'avons déjà mentionné, des revenus bruts d'exploitation atteignant \$100,000,000 pour la première fois. En plus de l'hôtel de Winnipeg, la Compagnie a inauguré des hôtels à Collingwood, Owen Sound, Cornwall et Sault Ste-Marie en Ontario, à Newcastle en Angleterre et à Port of Spain à Trinidad et a géré des hôtels à Halifax en Nouvelle-Ecosse et à Tignes en France, ajoutant ainsi 1,800 chambres à son exploitation, pour un total de 10,909 chambres à la fin de l'année.

Le rendement de chacun des hôtels de la Compagnie est sujet à révision régulière par la Direction pour assurer le maintien des revenus et des bénéfices à un niveau acceptable. En vertu de cette politique, la tenure à bail de la Compagnie du Holiday Inn de Pontiac au Michigan a récemment été vendue à un autre détenteur de franchise qui opère des Holiday Inn aux États-Unis.

La Compagnie a récemment signé une entente de direction conjointe avec Holiday Inns, Inc., aux termes desquels la Compagnie exploitera les cinq hôtels de cette dernière au Royaume-Uni: Birmingham, Dover, Leicester, Liverpool et Londres (aéroport Heathrow). La Compagnie exploite maintenant onze hôtels dans ce pays pour un total de 2,607 chambres. Il nous fait plaisir d'annoncer la nomination de M. Robert A. Rubinnoff au poste de Premier vice-président de la Compagnie. M. Rubinnoff était auparavant chargé du développement et des opérations du Royaume-Uni et européennes, poste qu'il détenait au cours des six dernières années. Il aura bientôt ses bureaux au siège social canadien de la Compagnie à London en Ontario.

Président du Conseil d'administration

David Rubinnoff

1 mars 1975

et Directeur général de l'administration

Ernest B. Fletcher

Président et Directeur administratif en chef

Nous sommes prêts à relever les défis de 1975 avec optimisme grâce à notre confiance renouvelée en l'expérience, les talents et le dévouement des 8,000 employés de la Compagnie au Canada et outre-mer. Au nom des Administrateurs, nous tenons à leur exprimer notre reconnaissance pour leur loyauté qui a largement contribué aux progrès de la Compagnie l'an dernier.

David Rubinnoff, Président du Conseil d'administration, et Ernest B. Fletcher, Président



Faits saillants de l'exercice financier

Terminé le 31 octobre 1974

Ventes — tous les hôtels	\$ 109,545,456	\$ 83,896,032	+ 31%
Ventes — sauf les hôtels gérés	\$ 99,691,716	\$ 75,909,304	+ 31%
Bénéfice avant impôts	\$ 6,020,114	\$ 5,615,594	+ 7%
Provision pour impôts sur le revenu	\$ 3,360,000	\$ 2,975,000	
Bénéfice d'exploitation	\$ 2,660,114	\$ 2,640,594	
Dividendes sur actions privilégiées	\$ 203,014		
Bénéfice attribuable aux détenteurs d'actions ordinaires (avant poste extraordinaire)	\$ 2,457,100	\$ 2,640,594	- 7%
Par action	46¢	50¢	
Poste extraordinaire	\$ 293,951		
Bénéfice attribuable aux détenteurs d'actions ordinaires	\$ 2,163,149	\$ 2,640,594	
Par action	41¢	50¢	
Fonds autogénérés (cash flow)*	\$ 11,550,997	\$ 9,412,941	+ 23%
Par action	\$2.17	\$1.77	
Fonds de roulement	\$ 2,128,202	\$ 62,027	
Additions — immobilisations	\$ 20,115,644	\$ 28,523,564	- 29%
Total de l'actif à la fin de l'exercice	\$ 133,335,462	\$ 119,591,737	+ 11%

* Les fonds autogénérés (cash flow) représentent le bénéfice d'exploitation plus les frais n'entraînant pas de déboursés.

Contenu

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Bureaux des ventes

CANADA
 Montréal, Québec
 Toronto, Ontario
 Calgary, Alberta
 Vancouver, Colombie-Britannique
 ETATS-UNIS
 New York, New York
 Buffalo, New York
 EUROPE
 Londres, Angleterre

Bureaux d'administration

304 York Street
 London, Ontario N6P 1P8
 Bureaux régionaux
 Holiday Inn, Swiss Cottage
 128 King Henry's Road
 London, NW3 3ST
 Angleterre
 Imperial Bank of Commerce Building
 Broad Street
 Room 303
 Bridgetown, Barbade

Agents d'immatriculation et de transferts

L'agent d'immatriculation des actions ordinaires et des actions privilégiées est la Compagnie de Fiducie Canada Permannent, sièges de Toronto, Montréal, London, Winnipeg, Regina, Calgary et Vancouver. L'agent des transferts des actions ordinaires et des actions privilégiées est la Compagnie Trust Royal, sièges de Toronto, Montréal, London, Winnipeg, Regina, Calgary et Vancouver.

D'un océan à l'autre au Canada

Il y a treize ans, l'inauguration d'un Holiday Inn de 120 chambres à London en Ontario marquait la naissance d'une compagnie qui allait devenir plus tard la "Commonwealth Holiday Inns of Canada Limited". Avec la fin des travaux au Vancouver-Broadway Inn plus tôt cette année, les ramifications de la compagnie s'étendent maintenant d'un océan à l'autre au Canada, jusqu'aux États-Unis, puis dans le sud dans six îles des Antilles, outre-mer jusqu'en Grande-Bretagne, en France et au Portugal. Il y a maintenant 64 hôtels au service du public et 10 se construisent en ce moment, ce qui représente près de 16,000 chambres et un investissement de plus de \$400 millions.



Holiday Inn Montréal-Carré Dominion (inauguration en 1976)



Holiday Inn Toronto-Downtown



Holiday Inn Halifax-Centre

Couverture, de gauche à droite, du coin supérieur gauche au coin inférieur gauche:

- Holiday Inn Grand Island/Niagara (É.-U.)
- Holiday Inn Port of Spain (Trinidad)
- Holiday Inn London-Swiss Cottage (R.-U.)
- Holiday Inn Ottawa-Centre (Canada)

Holiday Inn Vancouver-Harbour Side (printemps 1975)



Holiday Inn Winnipeg-Downtown



Holiday Inn Saskatoon (printemps 1975)



Holiday Inn London-City Centre Tower (été 1975)



Commonwealth Holiday Inns of Canada Limited
Rapport annuel 1974

